

JOE GQABI DISTRICT MUNICIPALITY



2012/13 TO 2014/15 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

(Draft for Approval by Council)

29 March 2012

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Part 1 – Annual Budget

1.1 Mayor's Report

To be distributed during the Council meeting.

1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) approves:
 - 1.1. The annual budget of the municipality for the financial year 2012/13 and indicative allocations for the two projected outer years 2013/14 and 2014/15; and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
 - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 16;
 - 1.2.2. Budgeted Cash Flows as contained in Table 17;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is approved as reflected in the agenda.
3. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
4. The Budget related policies including any amendments as set out in Section 2 are approved for the budget year 2012/13
5. The Department of Roads allocation of R34 million will only be spend once it has been gazetted or the money has been transferred to the primary bank account of Joe Gqabi District Municipality:

1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship and to improve service delivery.

National Treasury's MFMA Circulars No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation; and
- Affordability of capital projects – only Municipal Infrastructure Grant funding was allocated towards developing of new capital infrastructure assets; and

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table Consolidated Overview of the 2012/13 MTREF

	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Revenue	368 365 471	414 161 840	324 054 000	343 910 000
Total Operating Expenditure	303 574 696	254 800 123	159 859 000	167 852 000
Total Capital Expenditure	154 359 903	169 692 500	179 874 000	190 666 000
(Surplus) Deficit for the year	89 569 128	10 330 783	15 679 000	14 608 000

Total revenue has grown by 12.43 percent or R45.8 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget.

Total operating expenditure for the 2012/13 financial year has been appropriated at R254.8 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has decreased by 16.07 percent in the 2012/13.

The capital budget of R169 7million for 2012/13 is 10 percent more when compared to the 2011/12 Adjustment Budget. The increase is due to higher allocation on Municipal Infrastructure Grant

1.4 Operating Revenue Framework

JGDM is heavily reliant on grants and in has no source no other source of income.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table Summary of revenue classified by main revenue source

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		-	-	-	5 080	1 635	989	989	1 000	1 050	1 103
Interest earned - outstanding debtors		-	-	-	10	-	3	3	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	489	489	-	-	-
Transfers recognised - operational		-	-	-	218 765	213 360	159 829	159 829	238 528	179 997	194 162
Other revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	223 855	214 995	161 310	161 310	239 528	181 047	195 264

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Table 3 Percentage growth in revenue by main revenue source

Description R thousands	2012/13 Medium Term Revenue & Expenditure Framework				
	Budget Year 2012/13		Budget Year +1 2013/14	Budget Year +2 2014/15	
Financial Performance					
Property rates	–	0.00%	–	0.00%	–
Service charges	–	0.00%	–	0.00%	–
Investment revenue	1 000	5.00%	1 050	5.00%	1 103
Transfers recognised - operational	238 528	-24.54%	179 997	7.87%	194 162
Other own revenue	–	0.00%	–	0.00%	–
	239 528	-24.42%	181 047	7.85%	195 264

Operating grants and transfers totals R200.7 million in the 2011/12 Adjustment Budget and increases to R239.5 million in 2012/13. Note that the year-on-year growth for the 2012/13 financial year is 18.9 percent. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	133 460	-	-	238 157	182 271	196 596
Local Government Equitable Share					133 460			166 056	178 286	192 423
								1 250	1 250	1 250
								1 000	870	950
								1 940	-	-
								11 604	-	-
								1 776	1 865	1 973
Other transfers/grants [insert description]								54 531	-	-
Provincial Government:		-	-	-	5 581	-	-	371	-	-
					3 990			371		
					524					
					250					
					817					
Other transfers/grants [insert description]					-					
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants		-	-	-	139 041	-	-	238 528	182 271	196 596
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	143 957	-	-	174 629	184 213	200 930
					143 957			174 629	184 213	200 930
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		-	-	-	143 957	-	-	174 629	184 213	200 930
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	282 998	-	-	413 157	366 484	397 526

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 8 Summary of operating expenditure by standard classification item

Expenditure By Type											
Employee related costs	2	-	-	-	72 948	85 056	58 293	58 293	89 601	94 977	100 676
Remuneration of councillors		-	-	-	3 198	4 144	3 268	3 268	4 957	5 205	5 465
Debt impairment	3	-	-	-	8 401	13 287	9 391	9 391	13 701	13 736	14 422
Depreciation & asset impairment	2	-	-	-	6 477	40 459	46 467	46 467	41 831	43 922	46 118
Finance charges		-	-	-	810	2 541	1 721	1 721	809	849	892
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	21 573	27 100	27 228	27 228	1 785	-	-
Transfers and grants		-	-	-	32 928	21 726	29 310	29 310	31 963	-	-
Other expenditure	4, 5	-	-	-	92 472	105 199	71 764	71 764	83 795	74 758	156 991
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	-	238 806	299 511	247 442	247 442	268 441	233 447	324 565

Table 9 Percentage growth in expenditure by main expenditure type

Description R thousand	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework				
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15
Expenditure By Type							
Employee related costs	85 056	5.34%	89 601	6.00%	94 977	6.00%	100 676
Remuneration of councillors	4 144	19.63%	4 957	5.00%	5 205	5.00%	5 465
Debt impairment	13 287	3.12%	13 701	0.26%	13 736	5.00%	14 422
Depreciation & asset impairment	40 459	3.39%	41 831	5.00%	43 922	5.00%	46 118
Finance charges	2 541	-68.18%	809	5.00%	849	5.00%	892
Bulk purchases	–	0.00%	–	0.00%	–	0.00%	–
Other materials	–	0.00%	–	0.00%	–	0.00%	–
Contracted services	27 100	-93.41%	1 785	-100.00%	–	0.00%	–
Transfers and grants	21 726	47.12%	31 963	-100.00%	–	0.00%	–
Other expenditure	105 199	-20.35%	83 795	-10.78%	74 758	110.00%	156 991
Loss on disposal of PPE	–		–	0.00%	–	0.00%	–
Total Expenditure	299 511	-10.37%	268 441	-13.04%	233 447	39.03%	324 565

The budgeted allocation for employee related costs for the 2012/13 financial year totals R88.3 million, which equals 34 percent of the total operating expenditure. The SALGBC still needs to agree on the 2012/13 salary increment. The municipality has budget 6 percent for the 2012/13 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been frozen until adequate funding has been sourced.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget and was also incremented by 6 percent for the 2012/13 financial year.

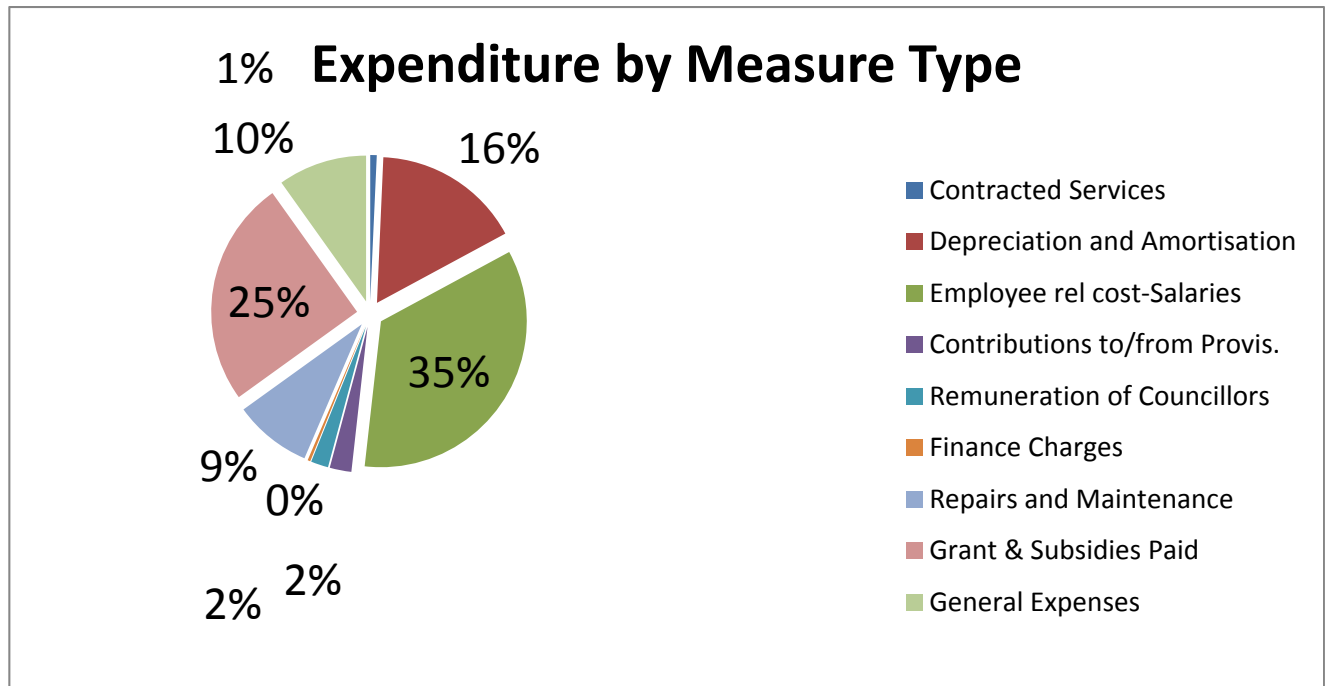
The provision of debt impairment was determined based on Annual Financial Statements for the year ended June 2011 and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R500 000. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R41.8 million for the 2012/13 financial year and equates to 16.4 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.32 percent (R808 500) of operating expenditure excluding annual redemption for 2012/13 financial year.

The allocation towards repairs and maintenance has decrease by 22.8 percent (R6.5 million). This is due to financial constraints that currently exist within the municipality

Fig 3: Expenditure by major type – 2012/13



Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The qualifying indigents will be provided with 6kl of water per month

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 10 2012/13 Medium-term capital budget per vote

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 7 - 0		-	-	-	-	-	-	-	-	-	-
Vote 8 - 0		-	-	-	-	-	-	-	-	-	-
Vote 9 - 0		-	-	-	-	-	-	-	-	-	-
Vote 10 - 0		-	-	-	-	-	-	-	-	-	-
Vote 11 - 0		-	-	-	-	-	-	-	-	-	-
Vote 12 - 0		-	-	-	-	-	-	-	-	-	-
Vote 13 - 0		-	-	-	-	-	-	-	-	-	-
Vote 14 - 0		-	-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	35	-	-	-	50	53	56
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	7 998	3 900	3 910	3 910	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	142 224	150 044	151 243	151 243	169 643	179 821	190 610
Vote 5 - COMMUNITY SERVICES		-	-	-	320	416	416	416	-	-	-
Vote 6 - Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 7 - 0		-	-	-	-	-	-	-	-	-	-
Vote 8 - 0		-	-	-	-	-	-	-	-	-	-
Vote 9 - 0		-	-	-	-	-	-	-	-	-	-
Vote 10 - 0		-	-	-	-	-	-	-	-	-	-
Vote 11 - 0		-	-	-	-	-	-	-	-	-	-
Vote 12 - 0		-	-	-	-	-	-	-	-	-	-
Vote 13 - 0		-	-	-	-	-	-	-	-	-	-
Vote 14 - 0		-	-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666
Total Capital Expenditure - Vote		-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666

For 2012/13 an amount of R169.7 million has been appropriated for the development of infrastructure within Technical Services which represents 100 percent of the total capital budget. Water and Sanitation infrastructure receives the highest allocation.

1.7 Annual Budget Tables

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Table 11 MBRR NT A1 - Budget Summary

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

Table 11 MBRR NT A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	-	-	-	5 080	1 635	989	989	1 000	1 050	1 103
Transfers recognised - operational	-	-	-	218 765	213 360	159 829	159 829	238 528	179 997	194 162
Other own revenue	-	-	-	10	-	493	493	-	-	-
Total Revenue (excluding capital transfers and contributions)	-	-	-	223 855	214 995	161 310	161 310	239 528	181 047	195 264
Employee costs	-	-	-	72 948	85 056	58 293	58 293	89 601	94 977	100 676
Remuneration of councillors	-	-	-	3 198	4 144	3 268	3 268	4 957	5 205	5 465
Depreciation & asset impairment	-	-	-	6 477	40 459	46 467	46 467	41 831	43 922	46 118
Finance charges	-	-	-	810	2 541	1 721	1 721	809	849	892
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	32 928	21 726	29 310	29 310	31 963	-	-
Other expenditure	-	-	-	122 447	145 585	108 384	108 384	99 280	88 493	171 414
Total Expenditure	-	-	-	238 806	299 511	247 442	247 442	268 441	233 447	324 565
Surplus/(Deficit)	-	-	-	(14 951)	(84 516)	(86 132)	(86 132)	(28 912)	(52 400)	(129 300)
Transfers recognised - capital	-	-	-	156 407	152 957	131 916	131 916	174 629	184 213	200 930
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630
Capital expenditure & funds sources										
Capital expenditure	-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666
Transfers recognised - capital	-	-	-	124 325	149 460	149 627	149 627	159 693	169 274	179 430
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	26 251	4 900	5 942	5 942	10 000	10 600	11 236
Total sources of capital funds	-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666
Financial position										
Total current assets	-	-	82 607	-	77 130	-	-	282 409	301 915	320 333
Total non current assets	-	-	1 184 622	-	1 298 673	-	-	1 292 297	1 287 130	1 280 504
Total current liabilities	-	-	100 820	-	124 865	-	-	80 314	59 128	62 458
Total non current liabilities	-	-	23 981	-	23 271	-	-	21 527	20 106	21 313
Community wealth/Equity	-	-	1 142 427	-	1 227 667	-	-	1 472 866	1 509 811	1 517 066
Cash flows										
Net cash from (used) operating	-	-	-	-	133 139	133 139	133 139	216 153	229 122	242 869
Net cash from (used) investing	-	-	-	-	(154 510)	(154 510)	(154 510)	(181 441)	(192 327)	(203 867)
Net cash from (used) financing	-	-	-	-	(320)	(320)	(320)	(339)	(360)	(381)
Cash/cash equivalents at the year end	-	-	-	-	(21 691)	(21 691)	(21 691)	60 555	96 990	135 611
Cash backing/surplus reconciliation										
Cash and investments available	-	-	(18 327)	-	(42 696)	-	-	24 048	27 817	29 397
Application of cash and investments	-	-	(63 780)	-	(66 072)	-	-	(421 957)	(6 664 524)	(7 064 241)
Balance - surplus (shortfall)	-	-	45 453	-	23 377	-	-	446 006	6 692 342	7 093 638
Asset management										
Asset register summary (WDV)	-	-	6 848	144 100	120 749	109 102	243 812	243 812	8 263	(37 745)
Depreciation & asset impairment	-	-	-	6 477	40 459	46 467	41 831	41 831	43 922	46 118
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	#DIV/0!	#DIV/0!	#DIV/0!	-	-	-	-	-	#DIV/0!	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Table 12 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		-	-	-	308 955	308 180	251 249	343 940	197 321	210 840
Executive and council		-	-	-	1 815	1 451	1 102	3 923	24 773	25 258
Budget and treasury office		-	-	-	154 487	151 798	118 544	165 383	158 286	170 607
Corporate services		-	-	-	152 652	154 931	131 603	174 634	14 262	14 975
<i>Community and public safety</i>		-	-	-	5 450	-	4 680	-	13 555	14 232
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	5 450	-	4 680	-	13 555	14 232
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	66 015	62 686	38 329	58 618	44 919	47 165
Planning and development		-	-	-	6 572	6 462	15 121	371	-	-
Road transport		-	-	-	36 214	30 999	11 682	37 716	39 867	41 860
Environmental protection		-	-	-	23 228	25 225	11 527	20 531	5 052	5 305
<i>Trading services</i>		-	-	-	650	600	258	11 604	68 260	71 673
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	650	600	258	11 604	65 771	69 059
Waste water management		-	-	-	-	-	-	-	2 489	2 614
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	-	-	-	381 069	371 465	294 516	414 162	324 054	343 910
Expenditure - Standard										
<i>Governance and administration</i>		-	-	-	60 041	64 388	48 015	100 332	33 125	34 782
Executive and council		-	-	-	21 124	18 412	16 938	24 829	18 864	19 807
Budget and treasury office		-	-	-	10 172	14 907	8 904	16 424	-	-
Corporate services		-	-	-	28 746	31 069	22 173	59 078	14 262	14 975
<i>Community and public safety</i>		-	-	-	9 118	8 874	12 312	8 932	13 555	14 232
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	8 218	8 120	11 705	8 932	13 555	14 232
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	900	754	608	-	-	-
<i>Economic and environmental services</i>		-	-	-	77 601	75 414	53 797	66 050	44 919	47 165
Planning and development		-	-	-	18 168	16 157	12 794	5 037	-	-
Road transport		-	-	-	29 812	28 680	20 948	29 454	39 867	41 860
Environmental protection		-	-	-	29 622	30 577	20 055	31 559	5 052	5 305
<i>Trading services</i>		-	-	-	83 644	137 549	123 927	77 641	68 260	71 673
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	59 166	113 859	90 069	58 954	65 771	69 059
Waste water management		-	-	-	24 478	23 689	33 858	18 687	2 489	2 614
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	-	-	-	230 405	286 225	238 051	252 955	159 859	167 852
Surplus/(Deficit) for the year		-	-	-	150 664	85 241	56 465	161 207	164 195	176 058

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

Table 13 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Revenue by Vote	1									
Vote 1 - MANAGEMENT SERVICES		-	-	-	2 605	2 332	12 932	2 923	3 307	4 226
Vote 2 - FINANCIAL SERVICES		-	-	-	154 487	151 798	118 544	165 383	177 279	190 550
Vote 3 - CORPORATE SERVICES		-	-	-	507	286	1 108	5	5	5
Vote 4 - TECHNICAL SERVICES		-	-	-	215 385	210 269	157 875	244 480	184 213	200 930
Vote 5 - COMMUNITY SERVICES		-	-	-	8 084	6 781	4 057	371	461	489
Vote 6 - Sanitation		-	-	-	-	-	-	-	-	-
Vote 7 - 0		-	-	-	-	-	-	-	-	-
Vote 8 - 0		-	-	-	-	-	-	-	-	-
Vote 9 - 0		-	-	-	-	-	-	-	-	-
Vote 10 - 0		-	-	-	-	-	-	-	-	-
Vote 11 - 0		-	-	-	-	-	-	-	-	-
Vote 12 - 0		-	-	-	-	-	-	-	-	-
Vote 13 - 0		-	-	-	-	-	-	-	-	-
Vote 14 - 0		-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	381 069	371 465	294 516	413 162	365 265	396 199
Expenditure by Vote to be appropriated	1									
Vote 1 - MANAGEMENT SERVICES		-	-	-	21 515	17 596	15 935	17 577	18 632	19 750
Vote 2 - FINANCIAL SERVICES		-	-	-	11 640	16 107	9 616	18 146	19 235	20 389
Vote 3 - CORPORATE SERVICES		-	-	-	21 062	24 351	19 027	20 970	22 228	23 561
Vote 4 - TECHNICAL SERVICES		-	-	-	148 352	205 058	174 964	183 298	194 296	203 566
Vote 5 - COMMUNITY SERVICES		-	-	-	27 835	23 112	18 509	12 964	13 741	14 566
Vote 6 - Sanitation		-	-	-	-	-	-	-	-	-
Vote 7 - 0		-	-	-	-	-	-	-	-	-
Vote 8 - 0		-	-	-	-	-	-	-	-	-
Vote 9 - 0		-	-	-	-	-	-	-	-	-
Vote 10 - 0		-	-	-	-	-	-	-	-	-
Vote 11 - 0		-	-	-	-	-	-	-	-	-
Vote 12 - 0		-	-	-	-	-	-	-	-	-
Vote 13 - 0		-	-	-	-	-	-	-	-	-
Vote 14 - 0		-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	230 405	286 225	238 051	252 955	268 132	281 833
Surplus/(Deficit) for the year	2	-	-	-	150 664	85 241	56 465	160 207	97 132	114 366

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 14 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		-	-	-	5 080	1 635	989	989	1 000	1 050	1 103
Interest earned - outstanding debtors		-	-	-	10	-	3	3	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	489	489	-	-	-
Transfers recognised - operational		-	-	-	218 765	213 360	159 829	159 829	238 528	179 997	194 162
Other revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	223 855	214 995	161 310	161 310	239 528	181 047	195 264
Expenditure By Type											
Employee related costs	2	-	-	-	72 948	85 056	58 293	58 293	89 601	94 977	100 676
Remuneration of councillors		-	-	-	3 198	4 144	3 268	3 268	4 957	5 205	5 465
Debt impairment	3	-	-	-	8 401	13 287	9 391	9 391	13 701	13 736	14 422
Depreciation & asset impairment	2	-	-	-	6 477	40 459	46 467	46 467	41 831	43 922	46 118
Finance charges		-	-	-	810	2 541	1 721	1 721	809	849	892
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	21 573	27 100	27 228	27 228	1 785	-	-
Transfers and grants		-	-	-	32 928	21 726	29 310	29 310	31 963	-	-
Other expenditure	4, 5	-	-	-	92 472	105 199	71 764	71 764	83 795	74 758	156 991
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	-	238 806	299 511	247 442	247 442	268 441	233 447	324 565
Surplus/(Deficit)											
Transfers recognised - capital		-	-	-	(14 951)	(84 516)	(86 132)	(86 132)	(28 912)	(52 400)	(129 300)
Contributions recognised - capital	6	-	-	-	156 407	152 957	131 916	131 916	174 629	184 213	200 930
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R414.2 million in 2012/13.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 15 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 7 - 0		-	-	-	-	-	-	-	-	-	-
Vote 8 - 0		-	-	-	-	-	-	-	-	-	-
Vote 9 - 0		-	-	-	-	-	-	-	-	-	-
Vote 10 - 0		-	-	-	-	-	-	-	-	-	-
Vote 11 - 0		-	-	-	-	-	-	-	-	-	-
Vote 12 - 0		-	-	-	-	-	-	-	-	-	-
Vote 13 - 0		-	-	-	-	-	-	-	-	-	-
Vote 14 - 0		-	-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	35	-	-	-	50	53	56
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	7 998	3 900	3 910	3 910	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	142 224	150 044	151 243	151 243	169 643	179 821	190 610
Vote 5 - COMMUNITY SERVICES		-	-	-	320	416	416	416	-	-	-
Vote 6 - Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 7 - 0		-	-	-	-	-	-	-	-	-	-
Vote 8 - 0		-	-	-	-	-	-	-	-	-	-
Vote 9 - 0		-	-	-	-	-	-	-	-	-	-
Vote 10 - 0		-	-	-	-	-	-	-	-	-	-
Vote 11 - 0		-	-	-	-	-	-	-	-	-	-
Vote 12 - 0		-	-	-	-	-	-	-	-	-	-
Vote 13 - 0		-	-	-	-	-	-	-	-	-	-
Vote 14 - 0		-	-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666
Total Capital Expenditure - Vote		-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666
Capital Expenditure - Standard											
<i>Governance and administration</i>		-	-	-	8 033	3 900	3 910	3 910	50	53	56
Executive and council		-	-	-	-	-	-	-	50	53	56
Budget and treasury office		-	-	-	-	-	-	-	-	-	-
Corporate services		-	-	-	8 033	3 900	3 910	3 910	-	-	-
<i>Community and public safety</i>		-	-	-	4 820	416	416	416	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	4 500	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	320	416	416	416	-	-	-
<i>Economic and environmental services</i>		-	-	-	1 200	-	-	-	14	14	15
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	1 200	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	14	14	15
<i>Trading services</i>		-	-	-	136 524	150 044	151 243	151 243	169 629	179 807	190 595
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	99 613	112 844	114 043	114 043	113 129	119 917	127 112
Waste water management		-	-	-	36 911	37 200	37 200	37 200	56 500	59 890	63 483
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666
Funded by:											
National Government		-	-	-	124 325	149 460	149 627	149 627	159 693	169 274	179 430
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	124 325	149 460	149 627	149 627	159 693	169 274	179 430
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	26 251	4 900	5 942	5 942	10 000	10 600	11 236
Total Capital Funding	7	-	-	-	150 577	154 360	155 569	155 569	169 693	179 874	190 666

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R169.7million for the 2012/13 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
5. The capital programme is funded from capital and provincial grants and transfers. For 2012/13, capital transfers totals R169.7 million.

Table 16 MBRR NT A6 - Budgeted Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
ASSETS											
Current assets											
Cash		-	-	0	-	0	-	-	707	3 967	4 500
Call investment deposits	1	-	-	2 827	-	-	-	-	19 493	20 000	21 200
Consumer debtors	1	-	-	-	-	-	-	-	-	-	-
Other debtors		-	-	78 551	-	75 822	-	-	260 817	276 466	293 053
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	-	-	1 227	-	1 307	-	-	1 392	1 483	1 579
Total current assets		-	-	82 607	-	77 130	-	-	282 409	301 915	320 333
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	3 546	-	3 696	-	-	3 848	3 850	3 696
Investment property		-	-	2 686	-	2 686	-	-	2 686	3 850	3 696
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	-	-	1 174 227	-	1 288 128	-	-	1 281 601	1 275 017	1 268 434
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	4 163	-	4 163	-	-	4 163	4 413	4 677
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		-	-	1 184 622	-	1 298 673	-	-	1 292 297	1 287 130	1 280 504
TOTAL ASSETS		-	-	1 267 229	-	1 375 803	-	-	1 574 706	1 589 046	1 600 837
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	24 701	-	46 392	-	-	-	-	-
Borrowing	4	-	-	-	-	326	-	-	364	398	385
Consumer deposits		-	-	-	-	-	-	-	-	-	-
Trade and other payables	4	-	-	63 780	-	66 072	-	-	68 599	47 315	50 000
Provisions		-	-	12 339	-	12 074	-	-	11 351	11 415	12 074
Total current liabilities		-	-	100 820	-	124 865	-	-	80 314	59 128	62 458
Non current liabilities											
Borrowing		-	-	7 178	-	6 852	-	-	6 475	6 054	6 418
Provisions		-	-	16 803	-	16 419	-	-	15 051	14 052	14 895
Total non current liabilities		-	-	23 981	-	23 271	-	-	21 527	20 106	21 313
TOTAL LIABILITIES		-	-	124 802	-	148 135	-	-	101 840	79 235	83 771
NET ASSETS	5	-	-	1 142 427	-	1 227 667	-	-	1 472 866	1 509 811	1 517 066
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		-	-	1 142 427	-	1 227 667	-	-	1 472 866	1 509 811	1 517 066
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	1 142 427	-	1 227 667	-	-	1 472 866	1 509 811	1 517 066

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 17 MBRR NT A7 - Budgeted Cash Flow Statement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		-	-	-	-	323 913	323 913	323 913	353 358	374 559	397 033
Government - operating	1	-	-	-	-	216 385	216 385	216 385	181 686	192 587	204 142
Government - capital	1	-	-	-	-	150 235	150 235	150 235	197 471	209 320	221 879
Interest		-	-	-	-	1 485	1 485	1 485	1 000	1 060	1 124
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	-	-	-	(534 612)	(534 612)	(534 612)	(494 831)	(524 521)	(555 992)
Finance charges		-	-	-	-	(2 541)	(2 541)	(2 541)	(805)	(853)	(904)
Transfers and Grants	1	-	-	-	-	(21 726)	(21 726)	(21 726)	(21 726)	(23 030)	(24 411)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	133 139	133 139	133 139	216 153	229 122	242 869
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		-	-	-	-	(150)	(150)	(150)	(152)	(161)	(171)
Payments											
Capital assets		-	-	-	-	(154 360)	(154 360)	(154 360)	(181 289)	(192 166)	(203 696)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	(154 510)	(154 510)	(154 510)	(181 441)	(192 327)	(203 867)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	(320)	(320)	(320)	(339)	(360)	(381)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	(320)	(320)	(320)	(339)	(360)	(381)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	(21 691)	(21 691)	(21 691)	34 372	36 435	38 621
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	26 183	60 555	96 990
Cash/cash equivalents at the year end:	2	-	-	-	-	(21 691)	(21 691)	(21 691)	60 555	96 990	135 611

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor and/or MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2011. In accordance with the original budget time schedule the IDP and annual budget for 2012/13 were to be adopted by Council on 31 May 2012.

2.2.1 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2010/11 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.2.2 Community Consultation

The draft 2012/13 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process in April 2012.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF

2.3 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

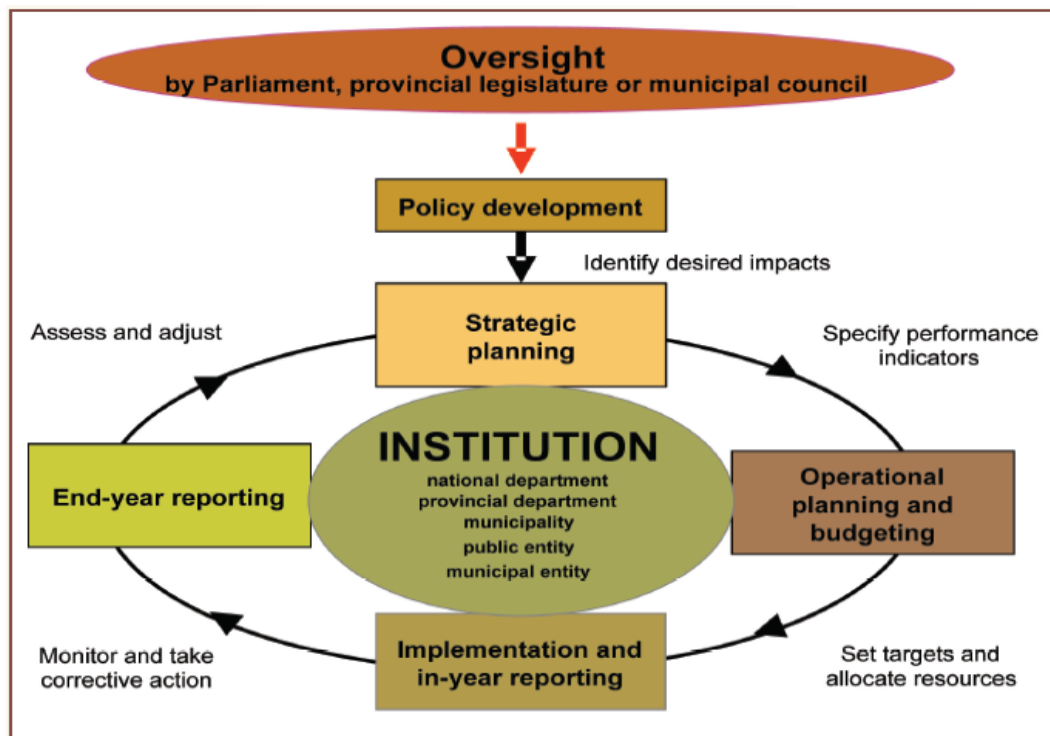
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the six key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

2.4 Measurable performance objectives and indicators

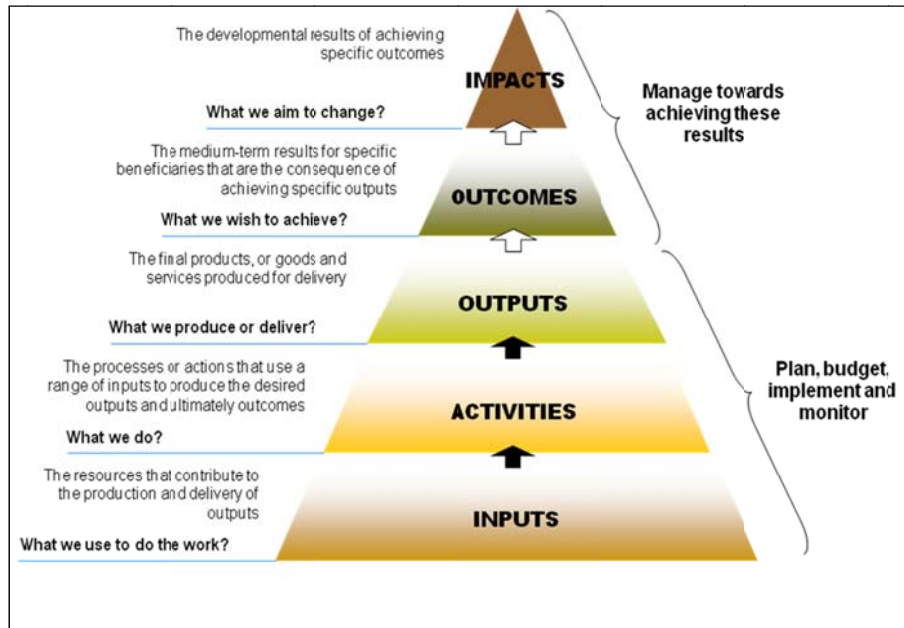
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table sets out the municipality's main performance objectives and benchmarks for the 2012/13 MTREF.

Table 18 MBRR NT SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.0%	0.3%	1.0%	0.8%	0.8%	0.4%	0.5%	0.4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.0%	0.0%	15.9%	175.0%	137.8%	137.8%	114.8%	115.1%	115.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	–	–	0.8	–	0.6	–	–	3.5	5.1	5.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	–	–	0.8	–	0.6	–	–	3.5	5.1	5.1
Liquidity Ratio	Monetary Assets/Current Liabilities	–	–	0.0	–	0.0	–	–	0.3	0.4	0.4
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Lev el %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	66203.9%	0.0%	0.0%
Cash receipts % of Ratepayer & Other Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	50148.9%	50148.9%	135.5%	2393.5%	2393.5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		0.0%	0.0%	0.0%	0.0%	-304.6%	0.0%	0.0%	113.3%	48.8%	36.9%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	32.6%	39.6%	36.1%	36.1%	37.4%	52.5%	51.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	3.3%	20.0%	29.9%	29.9%	17.8%	24.7%	24.1%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	–	–	2.8	2.8	2.8	1.1	0.7	0.7	0.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
iii. Cost coverage	(Av ailable cash + Investments)/monthly fixed operational expenditure	–	–	–	–	(1.7)	(2.0)	(2.0)	5.1	10.1	13.4

2.5 Overview of budget assumptions

2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and

2.5.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

2.5.4 Salary increases

The collective agreement regarding salaries/wages has expired and a new salary increase is currently negotiated at SALGBC. 6% is budgeted for the 2012/13 financial year.

2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

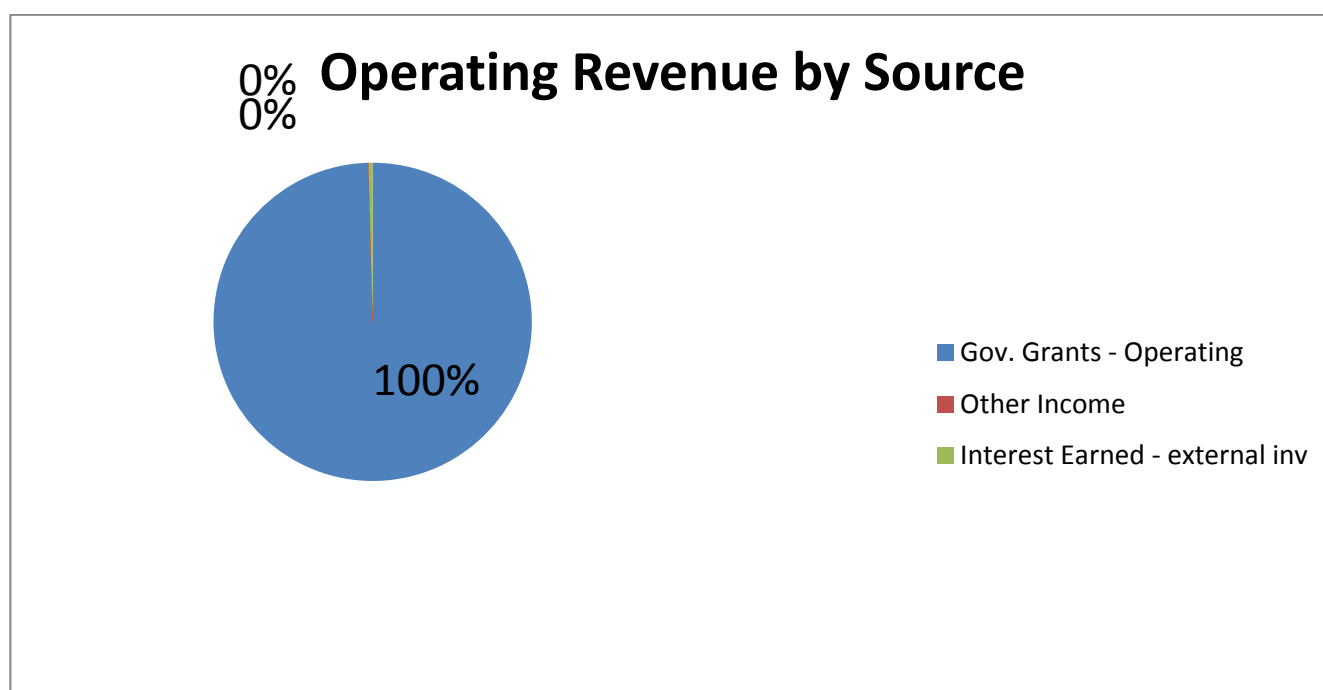
2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 19 Breakdown of the operating revenue over the medium-term

Description R thousands	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13		Budget Year +1 2013/14	Budget Year +2 2014/15		
Financial Performance						
Property rates	-	0.00%	-	0.00%	-	-
Service charges	-	0.00%	-	0.00%	-	-
Investment revenue	1 000	5.00%	1 050	5.00%	1 103	
Transfers recognised - operational	238 528	-24.54%	179 997	7.87%	194 162	
Other own revenue	-	0.00%	-	0.00%	-	-
	239 528	-24.42%	181 047	7.85%	195 264	

Fig 5: Breakdown of the operating revenue - 2012/13

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

Table 21 Sources of capital revenue over the MTREF

Vote Description R thousand	2012/13 Medium Term Revenue & Expenditure Framework				
	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15
Funded by:					
National Government	159 693	6.00%	169 274	6.00%	179 430
Provincial Government	–		–		–
District Municipality	–		–		–
Other transfers and grants	–		–		–
Transfers recognised - capital	159 693	6.00%	169 274	6.00%	179 430

The capital programme is funded from National Grants and transfers.

Fig 6: Sources of capital revenue - 2012/13**2.6.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 22 MBRR NT A7 - Budget cash flow statement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other	1	-	-	-	-	323 913	323 913	323 913	353 358	374 559	397 033
Government - operating		-	-	-	-	216 385	216 385	216 385	181 686	192 587	204 142
Government - capital		-	-	-	-	150 235	150 235	150 235	197 471	209 320	221 879
Interest		-	-	-	-	1 485	1 485	1 485	1 000	1 060	1 124
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees	1	-	-	-	-	(534 612)	(534 612)	(534 612)	(494 831)	(524 521)	(555 992)
Finance charges		-	-	-	-	(2 541)	(2 541)	(2 541)	(805)	(853)	(904)
Transfers and Grants		-	-	-	-	(21 726)	(21 726)	(21 726)	(21 726)	(23 030)	(24 411)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	133 139	133 139	133 139	216 153	229 122	242 869
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		-	-	-	-	(150)	(150)	(150)	(152)	(161)	(171)
Payments											
Capital assets		-	-	-	-	(154 360)	(154 360)	(154 360)	(181 289)	(192 166)	(203 696)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	(154 510)	(154 510)	(154 510)	(181 441)	(192 327)	(203 867)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	(320)	(320)	(320)	(339)	(360)	(381)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	(320)	(320)	(320)	(339)	(360)	(381)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	(21 691)	(21 691)	(21 691)	34 372	36 435	38 621
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	26 183	60 555	96 990
Cash/cash equivalents at the year end:	2	-	-	-	-	(21 691)	(21 691)	(21 691)	60 555	96 990	135 611

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 58 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 23 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	-	(21 691)	(21 691)	(21 691)	60 555	96 990	135 611
Other current investments > 90 days		-	-	(21 873)	-	(24 701)	21 691	21 691	(40 355)	(73 023)	(109 911)
Non current assets - Investments	1	-	-	3 546	-	3 696	-	-	3 848	3 850	3 696
Cash and investments available:		-	-	(18 327)	-	(42 696)	-	-	24 048	27 817	29 397
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	(63 780)	-	(66 072)	-	-	(421 957)	(6 664 524)	(7 064 241)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	-	(63 780)	-	(66 072)	-	-	(421 957)	(6 664 524)	(7 064 241)
Surplus(shortfall)		-	-	45 453	-	23 377	-	-	446 006	6 692 342	7 093 638

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.6.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is

especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Table 24 MBRR NT SA10 - Funding compliance measurement

Description	MFMA section	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	-	-	-	-	(21 691)	(21 691)	(21 691)	60 555	96 990	135 611
Cash + investments at the yr end less applications - R'000	18(1)b	2	-	-	45 453	-	23 377	-	-	446 006	6 692 342	7 093 638
Cash year end/monthly employee/supplier payments	18(1)b	3	-	-	-	-	(1.7)	(2.0)	(2.0)	5.1	10.1	13.4
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	-	-	-	141 456	68 441	45 784	45 784	145 717	131 813	71 630
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	(6.0%)	(6.0%)	(3.1%)	(3.1%)	(3.1%)	(3.1%)	(3.4%)	(4.1%)	(4.3%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0.0%	0.0%	0.0%	0.0%	0.0%	50148.9%	50149%	135.5%	2393.5%	2393.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c:19	8	0.0%	0.0%	0.0%	0.0%	100.0%	99.2%	99.2%	106.8%	106.8%	106.8%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0.0%	0.0%	(100.0%)	0.0%	(100.0%)	0.0%	244.0%	6.0%	6.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.6.5.5 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.6 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.8 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.6.5.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 25 MBRR SA19 - Expenditure on transfers and grant programmes

DC14 Joe Gqabi - Supporting Table SA19 Expenditure on transfers and grant programme										
Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	(133 460)	-	-	(238 157)	(182 271)	(196 596)
Local Government Equitable Share					-133460000			(166 056)	(178 286)	(192 423)
								(1 250)	(1 250)	(1 250)
								(1 000)	(870)	(950)
								(1 940)		
								(11 604)		
								(1 776)	(1 865)	(1 973)
Working for Water & Roads								(54 531)		
Provincial Government:		-	-	-	(5 581)	-	-	(371)	-	-
					(3 990)			(371)		
					(524)					
					(250)					
					(817)					
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure		-	-	-	(139 041)	-	-	(238 528)	(182 271)	(196 596)
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	(143 957)	-	-	(174 629)	(184 213)	(200 930)
					-143957000			(174 629)	(184 213)	(200 930)
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of		-	-	-	(143 957)	-	-	(174 629)	(184 213)	(200 930)
TOTAL EXPENDITURE OF T		-	-	-	(282 998)	-	-	(413 157)	(366 484)	(397 526)

2.8 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

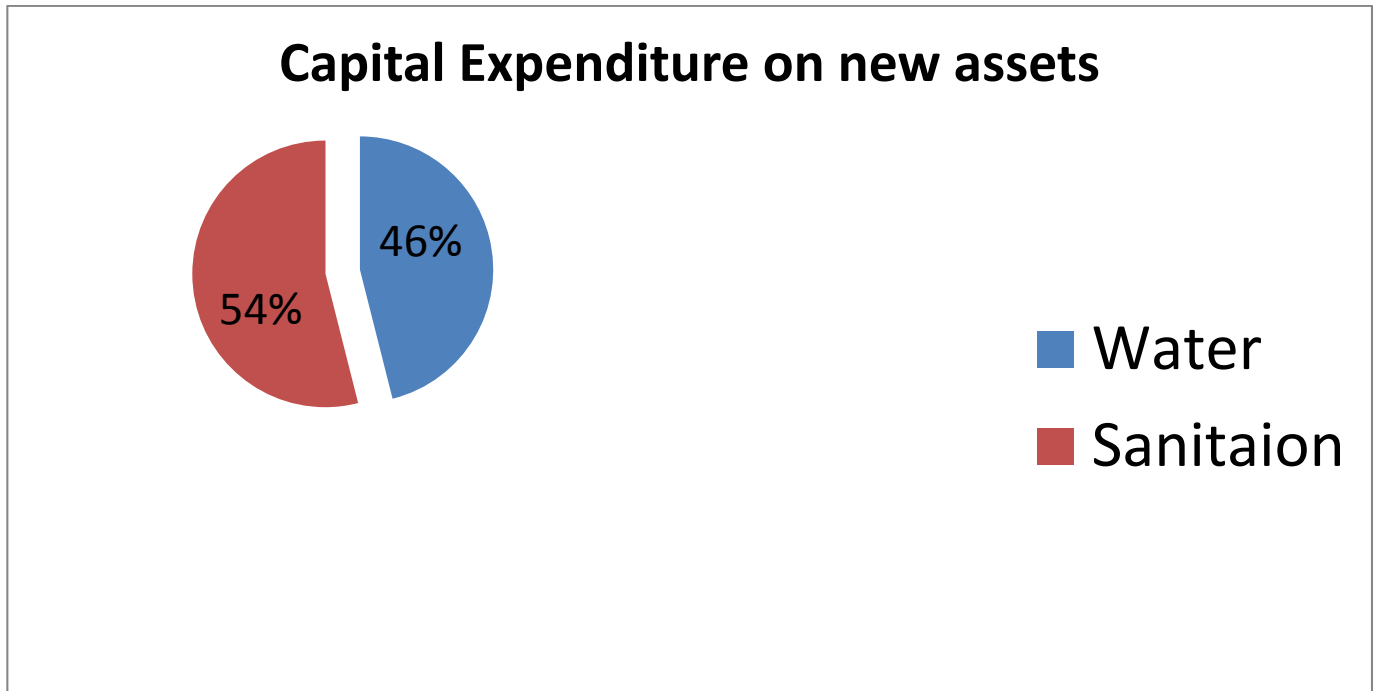
2.9 Capital expenditure details

The following tables present details of the Municipality's capital expenditure programme.

Joe Gqabi District Municipality – 2012/13 Annual Budget and MTREF (Draft)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure	2	-	-	-	136 524	150 044	151 243	169 629	179 807	190 595
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Roads, Pavements & Bridges		-	-	-	-	-	-	-	-	-
Storm water		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		-	-	-	-	-	-	-	-	-
Street Lighting		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	79 105	68 610	69 809	78 129	82 817	87 786
Dams & Reservoirs		-	-	-	-	-	-	-	-	-
Water purification		-	-	-	-	-	-	-	-	-
Reticulation		-	-	-	79 105	68 610	69 809	78 129	82 817	87 786
Infrastructure - Sanitation		-	-	-	57 418	81 434	81 434	91 500	96 990	102 809
Reticulation		-	-	-	57 418	81 434	81 434	91 500	96 990	102 809
Sewerage purification		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	0	-	-	-
Waste Management		-	-	-	-	-	-	-	-	-
Transportation		-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	0	-	-	-
Community		-	-	-	-	-	-	-	-	-
Parks & gardens		-	-	-	-	-	-	-	-	-
Sportsfields & stadia		-	-	-	-	-	-	-	-	-
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		-	-	-	-	-	-	-	-	-
Buses		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-
Social rental housing		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	-	-	
Housing development	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	14 053	4 316	4 326	177	188	199
General vehicles	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	114	120	128
Plant & equipment	-	-	-	320	320	320	-	-	-	-
Computers - hardware/equipment	-	-	-	1 000	196	206	50	53	56	56
Furniture and other office equipment	-	-	-	2 733	-	-	14	14	15	15
Abattoirs	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-
Civic Land and Buildings	-	-	-	3 000	-	-	-	-	-	-
Other Buildings	-	-	-	7 000	3 800	3 800	-	-	-	-
Other Land	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Agricultural assets	-	-	-	-	-	-	-	-	-	-
Agricultural 1	-	-	-	-	-	-	-	-	-	-
Agricultural 2	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-
Biological 1	-	-	-	-	-	-	-	-	-	-
Biological 2	-	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-	-
Computers - software & programming	-	-	-	-	-	-	-	-	-	-
Total specified assets	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure on new assets	1	-	-	-	150 577	154 360	155 569	169 806	179 994	190 794
Specialised vehicles		-	-	-	-	-	-	114	120	128
Refuse		-	-	-	-	-	-	-	-	-
Fire		-	-	-	-	-	-	-	-	-
Conservancy		-	-	-	-	-	-	50	53	56
Ambulances		-	-	-	-	-	-	64	67	71

Fig 8: Total 3 year capital expenditure per vote



2.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

2.11 Municipal manager's quality certificate

I _____, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

ZA Williams
Municipal Manager (DC14)
Joe Gqabi District Municipality (

Date: _____